and visionary leadership combined with commitment and dedication to improve health care for the people of the United States and for her ability to inspire others to excellence.

PREDATORY LENDING

HON. TOM FEENEY

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Thursday, April 10, 2008

Mr. FEENEY. Madam Speaker, I would like to call to the attention of my colleagues and other readers of the RECORD the article from Consumer Rights League, which is reprinted below.

PREDATORY CHARITY: THE SELF-INTERESTED SELF-HELP OF THE CENTER FOR RESPONSIBLE LENDING

EXECUTIVE SUMMARY

The term ''predatory lending'' seems to have appeared out of thin air in recent years. In reality, the prevalence of the term—and the accompanying public panic—owes much to a sophisticated public relations campaign carried out by the increasingly high-profile Center for Responsible Lending (CRL).

As the most visible face of the half-billion dollar team of ''Self-Help'' non-profit organizations, CRL attacks competing loan products. Under the guise of advocating in the interests of its low-income customers, Self-Help makes loans at highly profitable rates and uncharitably takes those low-income customers to court over trivial monetary sums. Worse, CRL's advocacy has worked to the disadvantage of low-income borrowers.

This report utilizes documents in the public record to demonstrate: CRL's advocacy agenda—built on pseudoscience that relies on arbitrary and opaque definitions and unreliable estimates and assumptions—has harmed consumers, according to recent Federal Reserve research; CRL's troubling alliances—a spokesman who pled guilty to felony larceny, an employee who engaged in eavesdropping, and a multi-million-dollar grant from a wealthy Wall Street investor with a stake in the outcome of CRL's lobbying activities; the Self-Help network attacks other lenders for allegedly using practices that it employs—taking in charitable grants and low-interest government loans while charging its customers uncharitably high rates and prosecuting low-income customers for amounts as low as $96; the Self-Help network has combined its advantageous loan rates and aggressive legal attacks to build a powerful organization with net assets of a quarter-billion dollars and approximately $12 million in annual profit from its largest loan-making body; the Self-Help network seems to encourage its customers to assume high amounts of debt, Its delinquency loan rate is almost 7 times the rate at comparable credit unions. Its customers carry loan balances over 3 times the rate of those institutions.

Many consumer advocates work with financial institutions to meet community needs. Yet the public record shows CRL and its financial web do more harm than good. This report examines CRL's record and concludes that public officials, policymakers, and the media should be skeptical about the group's complaints, while non-profit donors and government bodies need to re-examine the charitable loan rates they provide to CRL's web of financial organizations.

AN INTRODUCTION TO SELF-INTEREST

What do you call an organization that has made more than $190 million in profit in the last ten years by targeting poor Americans with high interest rate loans? If you were the Center for Responsible Lending, you would call that organization a ''predatory lender.'' However, this is a description that fits ''Self-Help,'' CRL's network of non-profits.

CRL is the research and advocacy arm of a large and financially powerful web of organizations under the umbrella of the Center for Community Self-Help. This matrix includes the Self-Help Ventures Fund (the largest loan-making body), the Self-Help Development Corporation, the Self-Help Services Corporation (which pays salaries and many expenses for network staff), and the Self Help Credit Union. According to tax returns, the Self-Help network (except its credit union) increased its assets by nearly 36 percent—from $181 million to 245 million—between 2002 and 2004. According to the National Credit Union Administration, the Self-Help Credit Union reported $292,143,058 in assets as of November 2007.

Questions have arisen as to whether this largess has benefited the working poor or if the group's leaders have simply been helping themselves. Critics scoff at Self-Help's 2004 decision to spend a whopping $23 million to buy a high-rise building in downtown Washington, D.C. for its operations. Perhaps more troubling, one report examining tax returns for the Self-Help Credit Union assets found: ''The financial reports of the Self-Help Credit Union reveal that throughout the 1990s Self-Help made loans to its officials and senior executives averaging $30,000 to $40,000, a practice permitted by Self-Help's conflict-of-interest policy. In June 2002, one official received a loan for about $1.2 million, and tax forms show that in March 2004 another official received a large loan, bringing the total borrowed by only two unnamed Self-Help officials to more than $2.7 million. Without explanation, those loans disappeared from the Credit Union's financial report in December 2004.''

Self-Help's credit union provides ample conflicts of interest with CRL's attacks on other lenders. In November 2007, researchers from the Federal Reserve examined the effects of payday loan bans, including the North Carolina law successfully pushed by CRL. The researchers concluded that payday lending was actually preferable to the fees credit unions—like those operated by Self-Help—charge its low-income consumers: ''Payday loans are widely condemned as a ''predatory debt trap.'' We test that claim by researching how households in Georgia and North Carolina have fared since those states banned payday loans in May 2004 and December 2005. Compared with households in all other states, households in Georgia have bounced more checks, complained more to the Federal Trade Commission about lenders and debt collectors, and filed for Chapter 7 bankruptcy protection at a higher rate. North Carolina households have fared about the same. This negative correlation—reduced payday credit supply, increased credit problems—contradicts the debt trap critique of payday lending, but is consistent with the hypothesis that payday credit is preferable to substitutes such as the bounced-check ''protection'' sold by credit unions and banks or loans from pawnshops.''

These findings raise serious doubt as to the social value of CRL's advocacy and the quality of its research.

Further questions have focused on the group's drive for political influence. CRL has publicly signed a letter with the radical group ACORN. It has received significant financial support from George Soros's Open Society Institute and tens of millions from the left-leaning Ford Foundation.

Indeed, it will be the very low-income consumers extolled in CRL's rhetoric that are most hurt by the group's power. Self-Help and the CRL are redefining hypocrisy and creating a new term: ''predatory charity.''

REDEFINING PREDATORY LENDING: WHEN YOU MAKE ASSUMPTIONS

From elaborate assumptions to dubious omissions, the ''studies'' released by the Center for Responsible Lending have all the indications of advocacy-driven research. CRL's studies make frequent methodological assumptions that artificially inflate their findings. It is clear that their reports are written with a pre-determined conclusion in mind.

FEDERAL RESERVE RESEARCH SINKS ''FINANCIAL QUICKSAND''

CRL has raised its public profile by attacking the practice of ''predatory lending.'' Its media presence is largely in response to its 2006 report, ''Financial Quicksand.'' Unfortunately, CRL has built its argument on a foundation of sand that erodes economic opportunity for the very low-income consumers it purports to protect.

If anything, ''Financial Quicksand'' sinks from its own assumptions. The report is best characterized as a series of arbitrary definitions. It uses non-nationally representative estimates, derived from a serious of unjustified assumptions, to argue that payday lenders ''cost'' Americans $4.2 billion dollars each year. Although the report claims to offer a national perspective on the payday lending industry, it samples data from only four states for its central findings.

Consider some of the report's problems: ''Financial Quicksand'' makes 18 separate assumptions, many of which would be charitably described as questionable, and rely on another 53 ''estimates'' to reach their conclusions.

Crucially, the report hinges on the critical (and flawed) assumption that anyone who takes out five or more loans in a year is likely flipping their loans back-to-back-to-back. However, 22 states prohibit ''flipping'' loans and many more limit rollovers—a fact ignored by the report.

The report also suggests that payday loans ''cost Americans'' billions of dollars and argues that banning them could ''save'' billions more. In economics, a ''cost'' typically occurs when capital is eliminated from the economy. For instance, unnecessary inefficiency in a manufacturing process could be seen as a ''cost to Americans.'' However, financial services, including those offered by payday loans operators, do just the opposite. They generate capital for the economy and for each individual loan-taker.

Claiming that payday lending bans ''save'' money is equally dubious. Not only does the industry itself generate capital for a state's economy and tax revenue for the government, but payday loans, like any other loan, allow individuals to generate more capital for themselves on the aggregate. By banning payday lending, states don't ''save.'' Instead, they experience a cost through lost tax revenue and lost capital opportunities.

Statistical research released from the Federal Reserve suggests CRL's lobbying efforts against payday lending have been misguided at best. In December 2007, the Associated Press reported that, ''A ban on payday loans may be leading to greater financial burdens for low-income residents of two Southern states, according to a researcher at the Federal Reserve Bank of New York.''

Indeed, the Federal Reserve report specifically cited CRL's ''research'' against payday lending and its estimate that a ban would ''save'' Georgians $154 million. It concluded that CRL's research was both flawed and costly to low-income consumers: ''Georgians and North Carolinians do not seem better off since their states outlawed payday credit: they have bounced more checks, complained more about lenders and debt collectors, and have filed for Chapter 7 ('no asset') bankruptcy at a higher rate.''

''The increase in bounced checks represents a potentially huge transfer from depositors to banks and credit unions. Banning payday loans did not save Georgian households $154 million per year, as the CRL projected, it cost them millions per year in returned check fees.''

THE RACE CARD AND CRL

In its report ''Race Matters,'' CRL strongly implies that payday lending stores target minority neighborhoods in North Carolina. The authors report that minority neighborhoods have three times as many payday lending stores as non-minority neighborhoods. But CRL fails to adequately account for other important factors that predict the existence of payday lending stores, such as a neighborhood's mean income. While the authors recognize this significant shortcoming, they still report the uncontrolled result.

The researchers also conducted a multivariate analysis to control for income, home ownership, and other factors. Their analysis found that ''the highest 20 percent of African-American neighborhoods had 4.1 times as many storefronts per capita compared to the lowest 20 percent.'' That said, an examination of their methodology reveals an odd, and likely highly significant statistical decision. Rather than look at all census tracts and include racial and ethnic breakdown in their regression, CRL's researchers created ''dummy variables'' for neighborhoods based on the percentage of minorities that lived in them. They then compared the neighborhoods with the highest concentration of minorities to those with the lowest.

This methodology is problematic because a neighborhood's racial or ethnic breakdown is not a black and white issue. By artificially pitting the few neighborhoods with the highest minority concentrations against those with the lowest, they were able to generate a dubious rhetorical point.

Indeed, these major flaws led Wesleyan University economics professor Thomas Lehman to say CRL's report ''contains severe weakness and presents conclusions that are overstated at best, and misleading at worst.'' He added, ''It must also be recognized that the overall tone of the study suggests a lack of objectivity perhaps motivated by an ideological bias against the payday lending industry, which may explain why (the authors) appear to overstate their case given the weakness of their research.''

FAILURE TO LOSE GROUND

In ''Losing Ground,'' CRL's report on subprime mortgage foreclosures, the organization again produced a report warning of catastrophic consequences based on an arbitrary definition.

In the report, CRL researchers claim that 25 percent of subprime mortgages ''fail'' within five years. This is a critical distinction because the entirety of the report is based on the number of failed mortgages—not the number of foreclosed mortgages.

While subprime mortgages have faced significant problems, they have fallen predictably short of CRL's dire predictions. That is understandable given how CRL defines a ''failed'' loan.

In fact, their own report admits that only 11 percent of subprime mortgages will be foreclosed within five years. The remaining 14 percent are loans prepaid during distress, such as refinancing or selling a property. But the latter category suggests a wide variety of equally beneficial or negative outcomes. For instance, under CRL's definition, a loan refinanced for a lower interest rate would qualify as a failure. But this in no way indicates a ''failed'' attempt at home ownership.

By lumping loan refinancing and home sales during distressed periods into its ''failed'' mortgages category, CRL more than doubles the supposed costs of the subprime mortgage industry.

DEFINING PREDATORY CHARITY

The Center for Responsible Lending primarily attracts media attention through its attacks on financial institutions that serve low-income and high-risk consumers. CRL frequently complains about interest rates and loan terms offered by traditional and community financial service providers. The group lobbies for laws that ban certain loan types and allow borrowers to change the terms of active loans. The surprising reality, though, is that CRL's family of financial institutions appear more interested in helping themselves than assisting the poor.

BUYING LOW, SELLING HIGH

As ostensible charities, Self-Help organizations receive support in the form of grants from non-profit foundations and subsidized government loans at preferential interest rates.

Self-Help pays typically between zero and four percent interest on the loans it obtains, many of which come from government-supported entities. The Ventures Fund took in more than $2.5 million in loans from the Small Business Administration's Microloan Program, with rates ranging from 2.5 percent to 4.5 percent. It also accepted more than $3.9 million from the U.S. Department of Agriculture's Intermediary Relending Program, which carries a one percent interest rate. On top of that, the Center for Community Self-Help has carried a zero percent loan from the state of North Carolina for years.

But Self-Help charges interest far above the charitable rates at which it borrows.

In 1998, the last year it reported interest rates on its publicly disclosed federal tax form, the Self Help Venture Fund reported that their average interest rate was more than 10 percent. For reference, that is approximately three percentage points higher than the average home mortgage rate in 1998, according to HSH Associates Financial Publishers. That adds up to a nearly 40 percent premium over the average rate. The Ventures Fund made other loans at interest rates as high as 13 percent.

Since 1997, the Venture Fund has made more than $190 million dollars in profit. It has made as much as $36 million—and no less than $13 million—annually since then. During the same period, the fund turned over $468 million in revenue. If the Venture Fund were officially a for-profit entity, its profit margin would be a staggering 40 percent—far higher than the margins of the lenders Self-Help and CRL attack.

HAULING CUSTOMERS INTO COURT (AND KICKING THEM OUT ON THE STREET)

Lien proceedings and foreclosures are not just the target of CRL's rhetoric—they are the standard operating procedure for CRL's ''Self-Help'' organizations. Despite their denunciations of other lenders, the Self-Help network takes action against its low-income consumers through lawsuits and foreclosure proceedings.

Like the lenders it attacks, Self-Help seeks judicial recourse when borrowers do not repay them. But in 2000, Self-Help founder Martin Eakes told PBS that they were better able to gauge how low-income individuals would repay loans: ''[W]e went for ten years, we have had our first loss of a home loan of $10,000 in a total of $120 million of lending directly and indirectly we have made, to mostly minority, single moms. We had our first $10,000 this past year. So, whatever people believe, the truth is, if someone has a chance to get a toehold and own a home, they will be far better borrowers than most of the rest of us.''

That may not be the whole story. The data from the National Credit Union Association, which oversees Self-Help Credit Union, paints a startling picture. As of September 2007, Self-Help's ratio of delinquent loans to loans issued was 598 percent higher than its peer credit unions. Ignoring CRL's critique that payday lenders and subprime mortgage lenders are too aggressive with amounts they offer customers, Self-Help Credit Union's customers carry an average loan balance of $40,733—more than 200 percent higher than at comparable institutions.

When loans terms are not met, Self-Help gets aggressive. Records show that Self-Help organizations have taken foreclosure or eviction steps against its low-income customers for as little as $62,332 in 2005 and $50,768 against another in 2002. And despite CRL's public advocacy on behalf of small borrowers, Self-Help's record includes lawsuits against countless small-dollar borrowers, including suits for as little as $96.

The Self-Help organizations based in North Carolina have taken legal action against local Southern favorites, including: a fried chicken store in 2001; a BBQ joint in 1997; a NASCAR collectibles company in 2002.

Perhaps more troubling, Self-Help has hauled local charitable organizations into court, including: the Appleton Academy in 2000; the Creative Learning Center in 2003; the Calvary Christian Church in 1993; Joyful Noise Daycare in 1998; an eviction of Oz Land Child Care Center in 2003; the Non Profit Consulting & Training Center in 2004 for only $956.

STRANGE (AND CRIMINAL) BEDFELLOWS

In September 2007, the Center for Responsible Lending arranged news events that sought to damage payday loan companies by providing former industry employees who alleged negative business practices by their former employers. The gambit paid off: several news stories ran with headlines potentially damaging to the industry. Yet the credibility of CRL's witness Michael Donovan, a former employee of leading payday loan company Check 'N Go remains clouded in doubt.

A lawsuit filed by Check 'N Go's parent company alleges Donovan and CRL conspired to defraud the firm and that Donovan lied about his criminal record. The suit alleges: Donovan provided a fake Social Security number to gain employment at Check 'N Go; when asked about the problematic Social Security number, Donovan provided a forged Social Security Administration document to gain employment; Donovan illegally provided confidential company information to CRL; Donovan allowed CRL to eavesdrop on a trade association conference call.

According to the suit, Donovan's criminal record includes an April 2000 guilty plea in Arlington, Virginia to four counts of forgery, three counts of larceny, and one count of attempted larceny.

Donovan was sentenced to four years in jail but served only eight months, according to the suit. Perhaps most shocking was that at the time he applied for the job at Check 'N Go, Donovan was again reportedly facing felony charges of grand larceny.

DID CRL SELL OUT TO PRIVATE EQUITY?

Monetary acrobatics by high-flying, high-finance figures can be complex and confusing. Yet CRL mortgaged its name for a $15 million infusion from a billionaire hedge fund manager who profited from the declining value of mortgage-backed securities, caused by borrowers who have difficulty paying their mortgages.

CRL has dubbed much of subprime lending—loans to high-risk candidates with low credit ratings—as ''predatory'' despite little evidence to support such claims. Yet the group is lobbying to change existing laws to allow high-risk borrowers to adjust the terms of their mortgages. This would benefit those making a financial gamble on future trouble in subprime mortgages.

On October 12, 2007 Business Week published an unusual report on the apparent philanthropy of a billionaire hedge fund investor who gave a multi-million-dollar grant to CRL. But there was more to the story: ''A $20 billion hedge fund may have hit on a unique investment strategy for playing the subprime mortgage bust: fund a consumer-protection group. Paulson & Co., which has seen its assets under management soar this year through fortuitous bets in the subprime market, has given $15 million to the Center for Responsible Lending, a Washington non-profit that has been lobbying on Capitol Hill for passage of bankruptcy legislation.''

''Paulson, run by former Bear Stearns (BSC) investment banker John Paulson, stands to rake in a windfall if the measure passes. The key bill, introduced last month, would allow federal judges to restructure mortgage terms and lower payments on the primary homes of borrowers in bankruptcy, a significant legal change. The process, known as a ''cram-down'' in industry jargon, is opposed by investment banks that trade in mortgage-backed securities.''

According to CRL and Paulson, the donation was not to be used for lobbying, but the Washington, D.C.-based Politico noted that CRL is ''a key supporter of pending legislation that would allow homeowners to reduce mortgage payments on their homes by declaring Chapter 13 bankruptcy.'' Enactment of CRL-supported bankruptcy legislation would further erode the value of mortgage-backed securities, which would increase the value of Paulson's holdings.

The subprime gamble is a big business opportunity for Paulson, whose firm, according to Bloomberg financial news: ''. . . made big bets predicting the edifice would soon come crashing down. The wager paid off in the first nine months of 2007, when Paulson's Credit Opportunities funds rose an average of 340 percent.''

''That gain earned Paulson an estimated $1.14 billion in performance fees for the nine months ended on Sept. 28.''

A spokesman for traditional financial institutions added, ''When they start pushing for legislation to make more money, they're lining their own pockets with people's homes, that's a little sticky.''

There is little evidence to suggest that Paulson's donation represents merely a one-time payment to CRL. It seems likely that the original $15 million donation was part of a multi-year campaign to profit off of American consumers' mortgage woes.

The press release announcing the first donation disclosed that Paulson ''said he hopes that his firm's donation is just the beginning . . .'' Indeed, as of July 2007, Paulson specifically stated that his investment horizon was two to three years, saying of his subprime bet: ''The performance of these pools will not be decided over one month or two months. They will be decided over the next three years. Our investment (commitment is not based on) looking at what these bonds trade at today or tomorrow, but what the losses in these pools will be two or three years from now.''

CONCLUSION

America's working poor and low-income individuals often benefit from well-intentioned advocates. But when those who claim to speak on behalf of the vulnerable use their position to benefit themselves, it is an act of betrayal. The public record demonstrates clearly that the Center for Responsible Lending and its Self-Help network fit this profile.

CRL's research is agenda-driven. Its advocacy has cost consumers more than it has ''saved'' them, according to Federal Reserve research. It relies on race-based claims to generate media interest. And it takes money from self-interested Wall Street billionaires who profit from the mortgage crisis so astutely hyped by CRL.

Self-Help takes in money at low rates and charges generous mark-ups to its low-income consumers. Federal records show Self-Help's credit union allows its borrowers a much higher average loan rate compared to similar organizations, a critique at odds with CRL's attacks on lenders who extend too much money to those who may have trouble repaying their loan. Finally, Self-Help loses its charitable image when it takes legal action against its low-income customers.

There is a name for such groups: predatory charity.

RECOGNIZING THE CAPITAL AREA DISTRICT LIBRARY ON THE OCCASION OF ITS TENTH ANNIVERSARY

HON. MIKE ROGERS

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Thursday, April 10, 2008

Mr. ROGERS of Michigan. Madam Speaker, It is my special privilege to honor the Capital Area District Library as they celebrate their 10th anniversary. I congratulate the Capital Area District Library community on behalf of all those who have benefited from their dedication and commitment to serving the members of the community.

The Capital Area District Library has an impressive history of community service and involvement since being formed in 1998, through an agreement between Ingham County and the city of Lansing, MI. Sensing most of Ingham County, the Capital Area District Library operates 13 libraries and it bookmobile, which stops throughout the county. Each library location provides residents with access to all materials and services offered by Capital Area District Library. For the past 10 years. the Capital Area District Library has been able to grow and adapt to the changing needs of the community. It has shown remarkable progress in serving the citizens of Lansing and the residents of Ingham County.

The Capital Area District Library is committed to the values of a democratic society. They aim to provide access to ideas and information that support continuous learning and enhance the quality of life of citizens. They reach these goals through community-based services, excellence in patron service and technology that links its libraries to the world of information. Their blend of a classic library decor, with new up-to-date technology, ensures uniqueness and utility. As part of their mission to provide assess to useful information, the Capital Area District Library offers an interactive website that is dedicated to assist the public with questions and keep them informed about their community. I am confident that the Capital Area District Library will continue to flourish and enhance the Ingham County area for years to come.

Therefore, Madam Speaker, I ask our colleagues to join me in honoring the Capital Area District Library as they celebrate their 10th anniversary. May others know of my high regard for the tradition and strength this organization represents.

PERSONAL EXPLANATION

HON. JOHN T. SALAZAR

OF COLORADO

IN THE HOUSE OF REPRESENTATIVES

Thursday, April 10, 2008

Mr. SALAZAR. Madam Speaker, last night the House voted on a motion to instruct the House conferees on H.R. 2419, the Food and Energy Security Act of 2007. I was unavoidably detained and was unable to be here for the vote. Had I been present, I would have voted "aye" on the motion.

187TH ANNIVERSARY OF GREEK INDEPENDENCE

HON. JOE COURTNEY

OF CONNECTICUT

IN THE HOUSE OF REPRESENTATIVES

Thursday, April 10, 2008

Mr. COURTNEY. Madam Speaker, on March 25, 2008, we celebrated the 187th anniversary of Greek independence. I join with millions of Greek Americans in Connecticut and across the country in marking the anniversary of the successful rebellion of the Greek people against the Ottoman Empire.

This anniversary offers us an opportunity to reflect on the long standing bonds between Greece and the United States. Our Founding Fathers drew from the ideals of ancient Greece, whose leaders wrote about the ideas of a republic. Thomas Jefferson called ancient Greece the "light which led ourselves out of Gothic darkness." In turn, Greek patriot Adamantios Koraes in 1823 collaborated with Jefferson on the construction of a new constitution for Greece, drawing on the tenets of America's groundbreaking democracy.

Following the Greek War of Independence. Greeks came to study at American universities at the urging of missionaries. But the real surge in Greek immigration came later in the 19th century, when newly arrived Greek Americans provided a catalyst for our Nation's economic growth, working in textile mills and on railroads across New England and in businesses across America. The Greeks who had provided inspiration for our democracy, now directly delivered their commitment to family and hard work to form strong communities in New York, Boston, Chicago, Detroit, Hartford, and across eastern Connecticut to add to the fabric of our American society. Today, over 3 million Americans claim Greek heritage, the descendants of the fathers and mothers of democracy.

As we recognize this important anniversary of Greek independence, I join in delivering the best wishes and congratulations from the American people to the people of Greece. We celebrate the historic ties between our two nations, and the legacy of democracy we have together shared with the world.